Natural Gas Market of SE Europe:

Gazprom Export's view

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Agenda

1. Has Gazprom changed its market assessment and forecasts for South-East Europe?

2. Is Russian Gas Secure?

3. Has Gazprom changed the plans for South Stream project?

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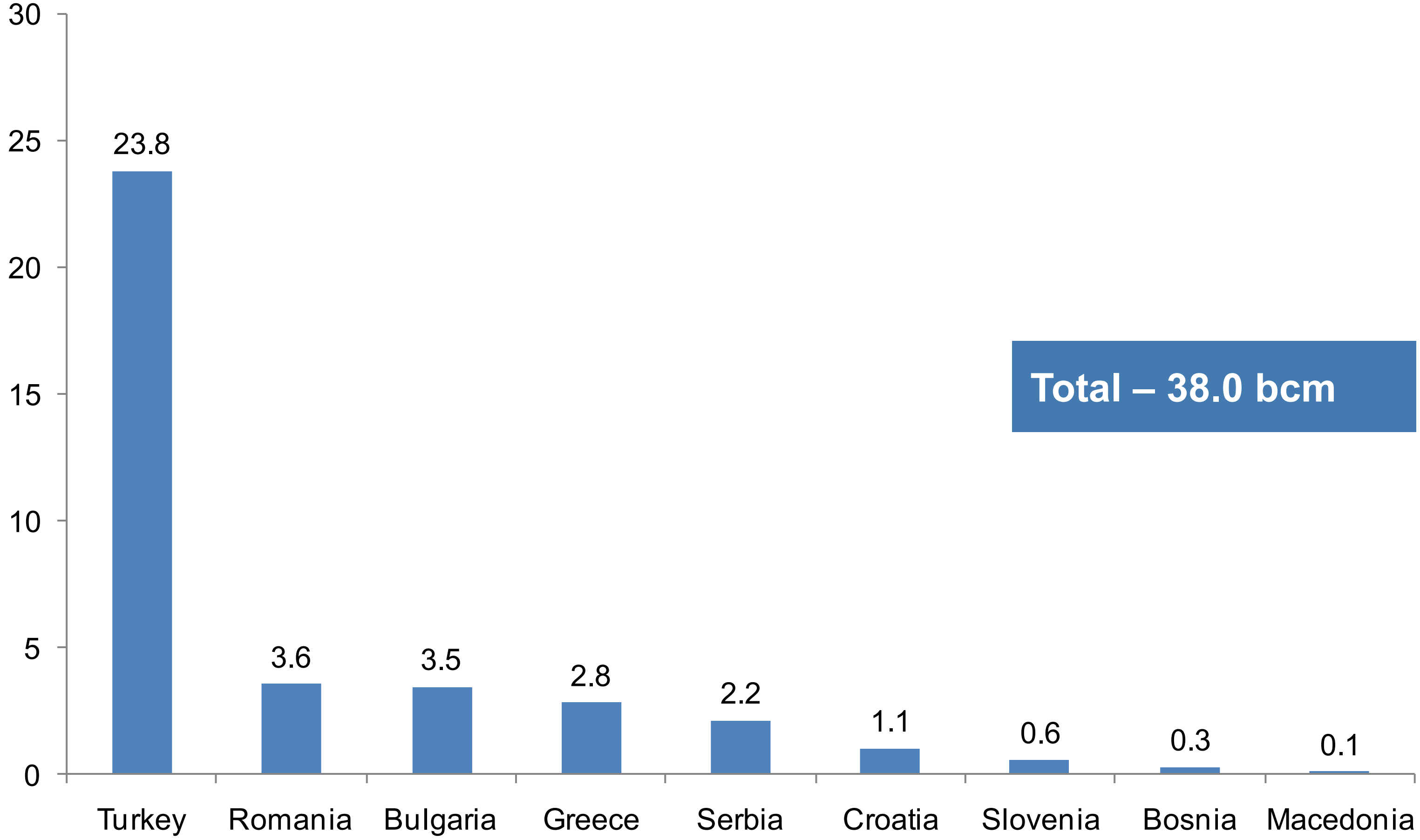
Gazprom Gas Supplies to South East Europe in 2008



Total – 38.0 bcm

Short-term Dynamic of European Gas Market

Due to Economic Crisis gas consumption fell:

- In whole Europe gas consumption declined in Q4 2008– by 8.4% y-o-y;
- In Q1 2009 – by 5.6% y-o-y;
- In Q4 2008 and Q1 2009 – by 6.9% y-o-y.

In SE Europe gas consumption decreased even more dramatically:

- Turkey in Q4 2008 – by 7.8% y-o-y, Q1 2009 – 17.5% y-o-y;.
- Greece in Q4 2008 – by 24.5% y-o-y, Q1 2009 – 35.9% y-o-y.

Drop in gas import was even more dramatic

- In South East Europe the rate is close to drop in consumption;
- In whole Europe – even more dramatic (in Q4 2008-Q1 2009 – by 19.6% y-o-y).

Main reasons for drop in gas imports

- Mid-term decrease in consumption due to economic crisis;
- Temporary reducing of gas consumption in expectation of price drop;
- Maximizing gas withdrawals from the UGSs in the expectation of price drop;
- January Transit Crisis played a great role, even though Gazprom did its best to increase volumes supplied through Belorussia and through Blue Stream to Turkey.

We expect the recovery of Russian gas sales in Q3 and Q4 2009

- Demand on gas has reduced, but to a large extent as a temporary solution by the consumers;
- Russian gas became cheaper already and is expected to be even more cheaper in the near future;
- European Underground gas storages level at the moment are significantly below last year level;
- Buyers will try to meet their ToP obligations under Gazprom export contracts and displace some volumes from other sources by Russian gas.

Market perspectives for 2009

Consumption forecasts by CERA

Bulgaria (-3.8%)

Severe decline of total gas consumption due to a high drop in industrial and power plant gas input (both minus 5%). The relatively small share of gas usage in the residential/commercial sector is growing in 2009 (plus 6.4%).

Greece (+ 1.1 %)

Total gas consumption is growing caused by a strong gasification and a continuous growth of residential/commercial demand (plus 6.8%) and only a slight industrial usage cutbacks (minus 1.4%) which are compensated by further gas demand in power sector (plus 1.4%).

Hungary (- 2.8%)

Total gas consumption is going to decrease in 2009 due to a heavy cut of industrial demand (minus 7%) and a significant drop of residential/commercial gas usage (-3.2%). Power demand is rather stable with a low decline of 0.7%.

Romania (-4.0%)

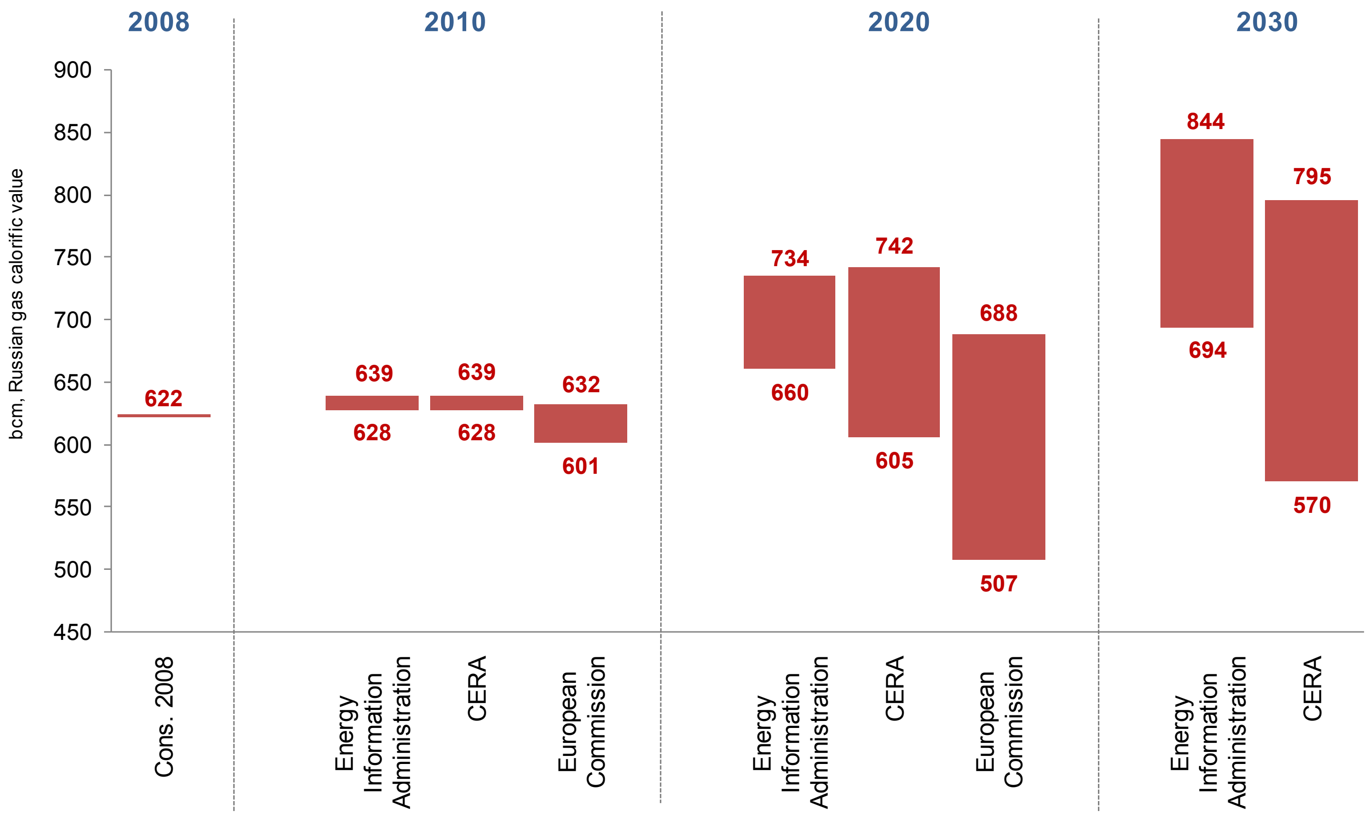
Heavy decline in all sectors cause a significant decrease in total gas consumption with the strongest impact in the residential/commercial sector (minus 5.9%) and continuous dropping of industrial gas usage since 2006 (minus 3.3%). ower sector loss is relatively moderate with minus 1.4%.

Turkey (+ 0.9%)

Turkish total gas consumption grows slightly in 2009 because the power sector compensates low demand cuts in industry and the continuous residential/commercial demand growth of the last years does not stop in 2009.

European Gas Market. Long-Term Perspective

Minimal and Maximal Forecast by leading forecast-makers



Energy Information Administration and CERA forecasts are updated after Economic Crisis hit. European Commission scenarios (remarkably most pessimistic) have not been updated since April 2008.

Since different forecast-maker provide scenarios with slightly different definition of Europe and current consumption assessment methodology is slightly different, only calculated CAGRs were used for this chart.

All long-term forecasts by the industry players Gazprom Export is aware of, tend to be optimistic, particular for South-East European markets

Future of South-East European Markets

- The countries of South-East Europe will remain the fastest-growing markets.
- They will recover earlier and grow much faster than mature markets of other European countries.
- Main driver for gas consumption growth is power generation.

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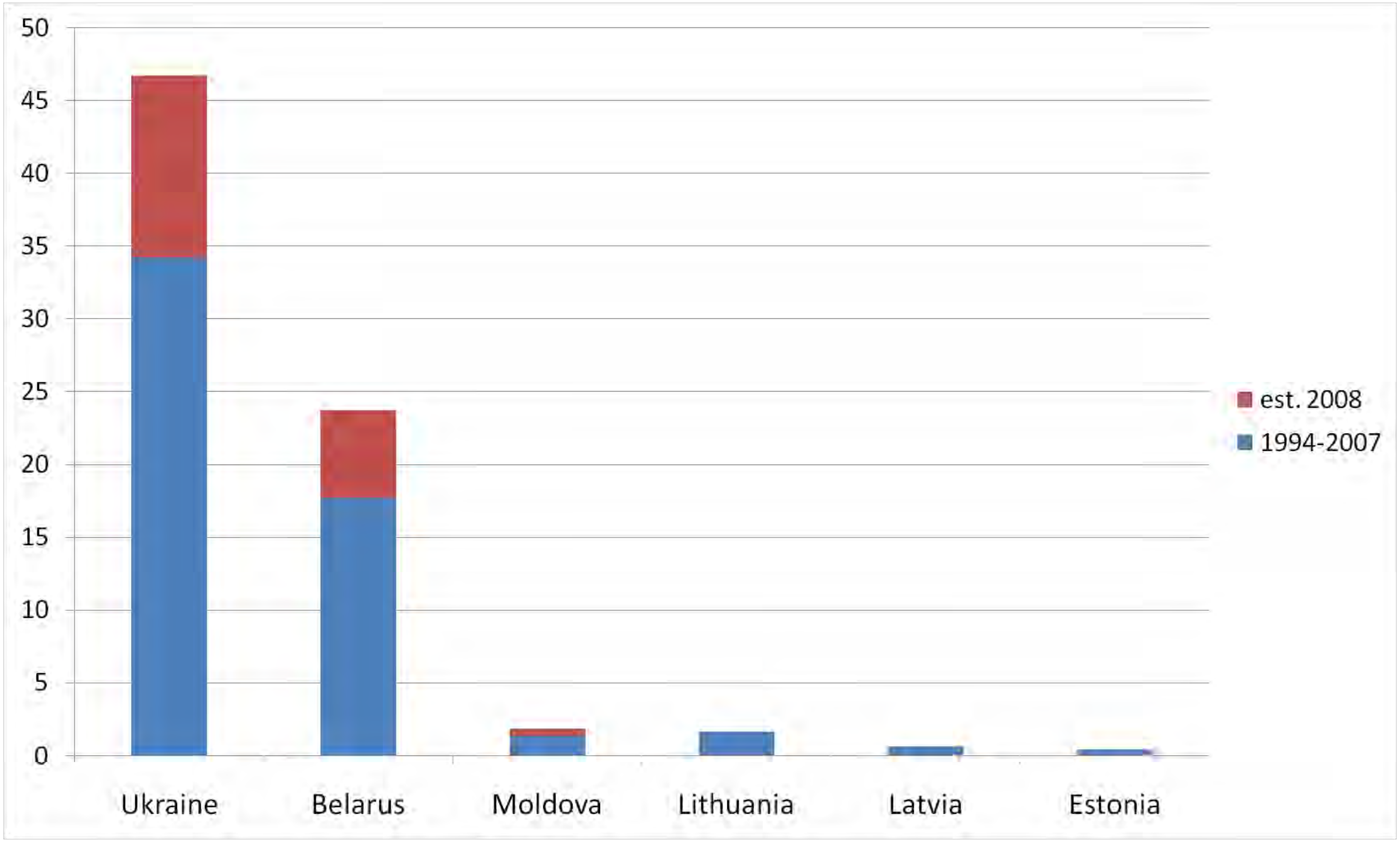
Gazprom's Goodwill in Relations with FSU countries

Gazprom's Accumulated Loss in Profit due to FSU-Europe gas price gap, 1994-2008



2009 Transit Crisis. Real Events and Mass Media Coverage

GAZPROM EXPORT

Actual chain of events

On January 1,Gazprom stopped supplying gas to the Ukrainian market because of a disagreement over price and nonpayment for the previous deliveries.

Naftagaz started stealing gas out of the transit volumes.

Gazprom decreased the volume of supplies by the stolen amount. At the same time Gazprom did its best to compensate for missing volumes to its European customers through the Yamal-Europe and Blue Stream pipelines.

Ukrainian court declared a transit agreement with Gazprom null and void

Naftogaz halted supplies to Europe and later reversed gas flows making transit impossible.

Gazprom shut down supplies to Europe via Ukraine.

For 10 days Ukraine blocked Gazprom's attempts to resume supplies to the Balkans.

As a result Europe felt serious natural gas supply disruptions.

Story Told by Mass Media

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EU Approach towards Transit Crisis Causes Investigation

""Gazprom is under the contractual obligation to sell its gas at the EU border, how you [Russia] deal with Ukraine is your problem and yours alone. This January you've tried this trick already, we refused to pay for it. We paid a fair price at the EU border and you'll have to deal with Ukraine yourself. Good luck."

Vaclav Bartuska, the Czech ambassador-at large for energy security.

(EUobserver. com. 26.05.2009).

"With regard to the recent gas crisis, the European Commission is not in a position to take sides, in particular because we are not acquainted with all contractual obligations of the sides."

Heinz Hilbrecht

From a letter to Gazprom Export

"We have no proof that Ukraine took away gas illegally,"

Andris Piebalgs

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South Stream Project

Project is aimed at strengthening the European energy security.

It is another real step toward executing the Gazprom strategy to diversify the Russian natural gas supply routes

The throughput of the submerged section increased from 31 to 63 bcma

Two possible routes are under review for South Stream's onshore section from Bulgaria – one, northwestwards and the other, southwestwards.

South Stream Project Timeline

- Feasibility study work has been started. Feasibility study will cover technical, legal, ecological and financial issues.
- Gazprom is drafting the Application for inclusion of the South Stream project into the list of EU priority projects.
- Onshore part of the Pipeline Feasibility Study are to be completed by Q4 2009. Seabed part – in the beginning of 2010. Combined feasibility study will be completed in Q2 2010.
- The pipeline construction works are scheduled to be completed by the end of 2015.

Implementation of the project will

- Increase security of supply to Europe

- Support economic growth and create solid incentives for economy growth in the South East European countries

- Create new opportunities for Gazprom and its potential partners in gas downstream business or power generation on the markets of South-East Europe

THANK YOU FOR YOUR ATTENTION